

**CITY OF MORGAN HILL, CALIFORNIA**  
**REQUEST FOR PROPOSALS FOR PROFESSIONAL AUDITING SERVICES**

**Table of Contents**

- I. INTRODUCTION
  - A. General Information
  - B. Terms of Engagement
- II. NATURE OF SERVICES REQUIRED
  - A. Scope of Work to be Performed
  - B. Auditing Standards to be Followed
  - C. Reports to be Issued
  - D. Special Considerations
  - E. Working Paper Retention and Access to Working Papers
- III. DESCRIPTION OF GOVERNMENT
  - A. Contract Persons/Organizational Chart
  - B. Background Information
  - C. Services Provided
  - D. Accounting and Fund Information
  - E. Federal and State Financial Assistance
  - F. Pension Plans
  - G. Component Units
  - H. Finance Operations
  - I. Availability of Prior Audit Reports
- IV. TIME REQUIREMENTS
- V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION
  - A. Finance Department and Clerical Assistance
  - B. Work Area, Telephones, Photocopying and Fax
  - C. Report Preparation

## VI. PROPOSAL REQUIREMENTS

### A. Submission of Proposal

### B. Technical Proposal

1. General Requirements
2. Independence
3. License to Practice in California
4. Firm Qualifications and Experience
5. Partner, Supervisory and Staff Qualifications and Experience
6. Prior Engagements with the City of Morgan Hill
7. Similar Engagements with Other Government Entities
8. Specific Audit Approach
9. Identification of Anticipated Potential Audit Problems
10. Report Format

### C. Sealed Dollar Cost Bid

1. Total All-inclusive Maximum Price
2. Rates by Partner, Specialist, Supervisory and Staff, Times the Hours Anticipated for Each
3. Rates for Additional Professional Services
4. Manner of Payment

## VII. EVALUATION PROCEDURES

- A. Evaluation Committee
- B. Review of Proposals
- C. Evaluation Criteria
- D. Possible Oral Presentations
- E. Final Selection
- F. Right to Reject Proposals

## VIII. ELECTED OFFICIALS

### APPENDIX A

Citywide Organizational Chart

### APPENDIX B

Affirmation and Total All Inclusive Maximum Price

## APPENDIX C

Supporting schedule for Total All Inclusive Price

## **CITY OF MORGAN HILL, CALIFORNIA**

### **REQUEST FOR PROPOSALS** **FOR PROFESSIONAL AUDITING SERVICES**

#### **I. INTRODUCTION**

##### **A. General Information**

The City of Morgan Hill is requesting proposals from qualified firms of certified public accountants to audit its annual financial statements for the fiscal years ending June 30, 2009 through June 30, 2011, with the option of auditing its annual financial statement for each of the two subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the Government Accountability Office's (GAO) Government Auditing Standards (July 2007 Revision), the provisions of the federal Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

There is no express or implied obligation for the City of Morgan Hill to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

For a firm to be considered, the City must receive six (6) copies of the proposal by **3:00 p.m. on Friday, May 22, 2009** at the following address:

Office of the City Clerk  
City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill CA 95037

All proposals must be in a sealed envelope and clearly marked "Sealed Proposal--Professional Auditing Services."

The City of Morgan Hill reserves the right to reject any and all proposals submitted.

Proposals will be reviewed by an Evaluation Committee which is expected to include the following: City Treasurer (an elected official), City Manager, Director of Finance, Assistant Director of Finance, and an Accountant I.

During this process, the Evaluation Committee and the City of Morgan Hill reserve the right to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the City of Morgan Hill or the Evaluation Committee, firms submitting proposals may be requested to make an oral presentation as part of the evaluation process--most likely by telephone, less likely in person.

The City of Morgan Hill reserves the right to retain all proposals submitted, and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Morgan Hill and the firm selected.

It is anticipated the selection of a firm and approval by City Council will be completed on Wednesday, June 17, 2009. Following notification of the selected firm the next day, it is expected a contract will be executed between both parties by Thursday, July 2, 2009.

B. Terms of Engagement

A five-year contract is contemplated: three (3) years initially, with the option to renew for two (2) subsequent years, subject to annual review and recommendation of the Evaluation Committee, satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), concurrence of the City Council and annual availability of an appropriation.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be Performed

The City of Morgan Hill desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The auditor is not required to audit the combining and individual fund and account group financial statements and supporting schedule. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statement and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The auditor is not required to audit the statistical section of the report.

The auditor is not required to audit the schedule of federal financial assistance. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the basic financial statements.

B. Auditing Standards to be Followed

To meet requirements of this request for proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. Government Accountability Office's Government Auditing Standards (July 2007 Revision), the provisions of the Single Audit Act Amendments of 1996 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements of the City, the Redevelopment Agency, and the Corporation Yard Commission (bi-annual for the latter, in odd-numbered years) in conformity with generally accepted accounting principles
2. A report on the City's compliance with the Gann appropriation limit
3. A Single Audit report
4. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.
5. A report on compliance with applicable laws and regulations.
6. An "in-relation-to" report on the schedule of federal financial assistance.
7. A report on the internal control structure used in administering federal financial assistance programs.
8. A report on compliance with general and specific requirements related to major and non major federal financial assistance programs.

In the required reports on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report.

Nonreportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.

The reports on compliance shall include all instances of noncompliance.

*Irregularities and illegal acts.* Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the following parties:

Steve Tate, Mayor  
Michael Roorda, Treasurer  
Ed Tewes, City Manager  
Director of Finance

D. Special Considerations

1. As required by Statement No. 14 of the Governmental Accounting Standards Board (GASB), the City's financial statements include its blended component units. These blended component units are the Redevelopment Agency of the City of Morgan Hill, the Corporation Yard Commission, the Morgan Hill Wastewater Financing Corporation, and the Morgan Hill Financing Authority. These are reported as a Capital Project fund, a discretely presented component unit, an Enterprise fund and a Debt Service fund, respectively.
2. The City of Morgan Hill will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its financial reporting award program. The auditor selected will be expected to review the CAFR in relation to the award checklist to ensure compliance with the award program.
3. It is anticipated that the City of Morgan Hill will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the financial advisor and/or underwriter to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
4. The City of Morgan Hill has determined that the U.S. Department of Housing and Urban Development will function as the cognizant agency in

accordance with the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

5. The schedules of federal financial assistance and related auditors' report, as well as the reports on compliance and internal controls, are not to be included in the comprehensive annual financial report, but are to be issued separately.

E. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of Morgan Hill of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designee:

City of Morgan Hill  
U.S. Department of Housing and Urban Development  
U.S. Government Accountability Office  
Parties designated by the Federal or State governments or by the City of Morgan Hill as part of an audit quality review process  
Auditors or entities of which the City of Morgan Hill is a subrecipient of grants  
State of California, Office of the State Controller

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF GOVERNMENT

A. Contact Persons/Organizational Chart

The auditor's principal contact with the City of Morgan Hill will be Tina Reza, Assistant Director of Finance, or a designated representative, who will coordinate the assistance to be provided by the City of Morgan Hill to the auditor.

Organizational charts are attached (Appendices A and B).

B. Background Information

The City of Morgan Hill is a general law city operating under the Council-Manager form of government and serves an area of 12 square miles. The City has



a population of approximately 39,000, is located in southern Santa Clara County, and provides most municipal services except fire protection, which is contracted out to the Santa Clara County Central Fire Protection District. The City has 195 employees with a total 2008-09 payroll of \$18,557,743. Total expenditures for all funds are budgeted at approximately \$101 million for the 2008-09 fiscal year. Audit reports were issued for the City's Comprehensive Annual Financial Report (CAFR), the Redevelopment Agency, and the Gann Appropriation Limit for the fiscal year ending June 30, 2008. A single audit for this period was also issued.

C. Services Provided

The City of Morgan Hill provides the following services to its citizens:

- General Government
- Public Safety
- Community Development
- Parks and Recreation
- Economic Development
- Housing
- Public Works
- Capital Projects
- Enterprises (Water and Sewer)

D. Accounting and Fund Information

The City of Morgan Hill uses the following fund types and account groups in its financial reporting:

<u>Fund type/Account Group</u>	<u>Number of Funds</u>
General Fund	1
Special Revenue Funds	15
Debt Service Funds	4
Capital Projects Funds	19
Enterprise Funds	8
Internal Service Funds	8
Discretely Presented Component Unit	
-Predominantly Governmental	1

The City of Morgan Hill prepares its budget on a basis consistent with generally accepted accounting principles.

E. Federal and State Financial Assistance

During the first fiscal year to be audited (2008-09), the City of Morgan Hill

anticipates receiving the following Federal and State financial assistance:

Community Development Block Grant	\$ 87,700
Police Grants	402,000
Housing Assistance (BEGIN Grant)	540,000
Environmental Programs	68,900
Transportation/Infrastructure	5,436,000

F. Pension Plans

The City of Morgan Hill participates in the Public Employees' Retirement System of the State of California (CalPERS). The fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various state and local governmental agencies within the State of California. The fund provides retirement, disability and death benefits based on an employee's years of service, age and final compensation.

G. Component Units

The City of Morgan Hill includes four component units in its general purpose financial statements. Three are blended component units; the Redevelopment Agency of the City of Morgan Hill, the Morgan Hill Wastewater Financing Corporation and the Morgan Hill Financing Authority. The Morgan Hill Corporation Yard Commission is a discretely presented component unit.

Separate financial statements for the Redevelopment Agency and the Morgan Hill Corporation Yard Commission will be prepared (the latter every two years, in odd-numbered years). The component units have a June 30 fiscal year end.

H. Finance Operations

The Finance Department is headed by a Director of Finance, and consists of ten employees and one full-time volunteer. The department operates as a single division with an Assistant Director of Finance, Budget Manager, two Accountants, one Accounting Technician and four Accounting Assistants. Functions of the department include utility billing and collection, accounts receivable/payable, business licensing, payroll, general ledger, budgeting, risk management, debt administration and financial reporting.

The City's accounting system is fully automated using EDEN accounting software. Utility Billing uses Incode software, a stand alone system.

City staff will generally be available to provide customary information, explanation or other assistance.

#### I. Availability of Prior Audit Reports

Proposers who wish to review prior years' audit reports and management letters should contact Tina Reza at the City of Morgan Hill, Finance Department, 17555 Peak Ave., Morgan Hill, CA, 95037 or (408) 776-7379 or [Tina.Reza@morganhill.ca.gov](mailto:Tina.Reza@morganhill.ca.gov). The City of Morgan Hill will use its best efforts to make prior audit reports available to proposers to aid their response to this request for proposals.

#### IV. TIME REQUIREMENTS

The City will use the following schedule, which should result in selection of an auditor by the City Council on Wednesday, June 17, 2009. **The deadline to submit proposals is Friday, May 22, 2009 by 3:00 p.m.**

Issue RFP .....	Friday, April 24, 2009
Proposals due .....	3:00 P.M., Friday, May 22, 2009
Memorial Day (holiday) .....	Monday, May 25, 2009
Staff recommendation of award becomes available on City website .....	Friday, June 12, 2009
Consideration by City Council .....	Wednesday, June 17, 2009
Formal notification to proposers .....	Thursday, June 18, 2009

Following is the anticipated audit schedule for 2009:

Commencement of field work .....	Monday, July 6, 2009
City submits to auditors the final trial balance .....	Friday, September 4, 2009
Labor Day (holiday) .....	Monday, September 7, 2009
City submits to auditors the draft comprehensive annual financial report and the draft Redevelopment Agency financial report .....	Friday, October 16, 2009
Auditors submit to City the draft management letter .....	Friday, November 13, 2009
Auditors submit to City the other audit reports .....	Wednesday, November 25, 2009
Auditors submit to City the final management letter .....	Wednesday, November 25, 2009
Thanksgiving Day (holiday) .....	Thursday, November 26, 2009
Formal presentation to Council ...	Wednesday, December 16, 2009

Upon completion of the audit examination and prior to issuing any audit reports

or the management letter, the auditor will participate in an exit conference with the City Manager, Director of Finance, the Assistant Director of Finance and two Accountants, to discuss observations and findings. During the course of the engagement, the auditor will meet with and provide periodic status reports to the Assistant Director of Finance on a regular basis. The auditor should also be available to meet with the Director of Finance as needed, to provide consultation on various accounting and auditing matters.

## V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR; REPORT PREPARATION

### A. Finance Department and Clerical Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the auditor by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City of Morgan Hill.

Finance staff and the City's Information Services Division will be available to provide systems documentation and explanations, or facilitate auditor contact with the City's accounting software providers. Auditors will also be provided access to the City's network and accounting system.

### B. Work Area, Telephones, Photocopying and Fax

The auditor will be provided with reasonable work space, access to telephones, photocopying and fax machines, for use in connection with work as described in this request for proposals.

### C. Report Preparation

Finance staff will prepare a draft copy of the CAFR and the Redevelopment Agency (RDA) and the Corporation Yard Commission general purpose financial statements. Finance staff will also be responsible for the posting of any auditor adjusting entries or changes to the financial statements. Finance staff is responsible for preparing the Schedule of Federal Financial Assistance, if applicable.

Final preparation of the CAFR and the RDA's and Commission's financial statements will be the responsibility of City of Morgan Hill. Preparation, editing and printing of all other reports will be the responsibility of the auditor.

## VI. PROPOSAL REQUIREMENTS

### A. Submission of Proposal

The following material is required to be received by **3:00 p.m. on Friday, May 22, 2009** for a firm to be considered:

a. Five (5) copies of a Technical Proposal, to include the following:

i. Title Page

Title page showing the request for proposal's subject, the firm's name, address and telephone number of the contact person and the date of the proposal.

ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement as to why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for thirty (30) days.

iv. Detailed Proposal

The detailed proposal should follow the order set forth below in Section VI B of this request.

a. The proposer shall submit five (5) copies of a Dollar Cost Bid in a separate sealed envelope, marked as follows: "*Sealed Dollar Cost Bid Proposal-Annual Audit Services.*"

b. Proposers should send the completed proposal, consisting of the two separate envelopes, in one sealed envelope to the following address:

Office of the City Clerk  
City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill CA 95037

All proposals must be in a sealed envelope and clearly marked in the lower left-hand corner, as follows: "*Sealed Proposal-Audit*"

*Services.*" All proposals must be received by **3:00 p.m.** on **Friday, May 22, 2009**, at which time they will be opened.

B. Technical Proposal

1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firm seeking to undertake an independent audit of the City of Morgan Hill in conformity with the requirements of the request. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals' requirements.

***There should be no dollar units or total costs included in the Technical Proposal Document.***

The Technical Proposal should address all the points outlined in the request for proposals (excluding any cost information, which should only be included in the sealed dollar cost bid). The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items 2 through 10, must be included. They represent the criteria against which the proposal will be judged.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Morgan Hill, as defined by generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing standards* (July 2007 revision). The firm should also provide an affirmative statement that it is independent of all the component units of the City of Morgan Hill, as defined by those same standards.

The firm should list and describe the firm's professional relationships involving the City of Morgan Hill or any of its agencies or component units for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

3. License to Practice in California

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice as certified public accountants in California.

4. Firm Qualifications and Experience

The proposal should state the size of the firm; the size of the firm's governmental audit staff; the location of the office from which this engagement is to be performed; the number and nature of the professional staff to be employed in this engagement on a full-time basis; and the number and nature of the staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific governmental audit engagements.

The firm shall also provide information on the results of any Federal or State of California desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years by state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is (registered/licensed) to practice as a certified public accountant in California. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant

continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality and continuity of staff assigned over the term of the agreement will be assured.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the City of Morgan Hill, which retains the right to approve or reject replacement.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the City of Morgan Hill

The firm should list separately all engagements within the last five years, ranked on the basis of total staff hours, for the City of Morgan Hill by type of engagement (i.e., audit, management advisory services, other). For each such engagement the firm should list partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposals. In developing the work plan, reference should be made to such sources of information as the City of Morgan Hill's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers are expected to provide the following information on their audit approach:

a. Proposed segmentation of the engagement



- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of information technology in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of the City of Morgan Hill's internal control structure
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe anticipated potential audit problems, if any, the firm's approach to resolving these problems and any special assistance that will be requested from the City of Morgan Hill.

10. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Sealed Dollar Cost Bid

1. Total All-inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs, including all out-of-pocket expenses (Appendix B).

The City of Morgan Hill will not be responsible for the expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page (Appendix B) of the sealed dollar cost bid should include the following information:

- a. Name of Firm
  - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the City of Morgan Hill
  - c. A Total All-inclusive Maximum Price for the 2008/2009 engagement
  - d. Total All-inclusive Maximum Prices or Price Structures for the subsequent four (4) years of engagement, in whatever format or formula best suits the proposer
2. Rates by Partner, Specialist, Supervisory and Staff; Times the Hours Anticipated for Each

The second page (Appendix C) of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment, that supports the total all-inclusive maximum price.

3. Rates for Additional Professional Services

If it should become necessary for the City of Morgan Hill to request the auditor to render any additional services, either to supplement the services requested in this request for proposals or to perform additional work, then such additional work shall be performed only if set forth in an addendum to the contract between the City of Morgan Hill and the firm. Any such additional work agreed to between the City of Morgan Hill and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

4. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a

calendar month. Final payment will be made after delivery of the firm's final reports.

## VII. EVALUATION PROCEDURES

### A. Evaluation Committee

Proposals will be reviewed by an Evaluation Committee which is expected to include the following: City Treasurer, City Manager, Director of Finance, Assistant Director of Finance, and an Accountant I.

### B. Review of Proposals

The Evaluation Committee will use a point formula during the review process to score proposals. Each member will first score each technical proposal by each of the criteria described in Section VII (C) below. The full Evaluation Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Proportionate fractional scores will be assigned to other proposers.

The City of Morgan Hill reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

### C. Evaluation Criteria

Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

#### 1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in California
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the City of Morgan Hill
- d. The firm submits a copy of its most recent external quality control

- e. review report and the firm has a record of quality audit work  
The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal

2. Technical Qualifications:

- a. Expertise and Experience
    - (1) The firm's past experience and performance on comparable government engagements
    - (2) The quality of the firm's professional personnel to be assigned to the engagement
  - b. Audit Approach
    - (1) Adequacy of proposed staffing plan for various segments of the engagement
    - (2) Adequacy of sampling techniques
    - (3) Adequacy of analytical procedures
3. Price

THOUGH COST IS AN IMPORTANT FACTOR, IT IS NOT THE MOST IMPORTANT CONSIDERATION.

D. Possible Oral Presentations

During the review process, the Evaluation Committee may, at its discretion, request any one or all firms to make an oral presentation--most likely by telephone, less likely in person. Such a presentation will provide firms with an opportunity to answer any questions the Evaluation Committee may have about a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

The Morgan Hill City Council will select a firm based upon the recommendations of the Evaluation Committee.

It is anticipated that a firm will be chosen on Wednesday, June 22, 2009. Following notification of the firm selected, it is expected a contract will be executed between both parties by Thursday, July 2, 2009.

F. Right to Reject Proposals

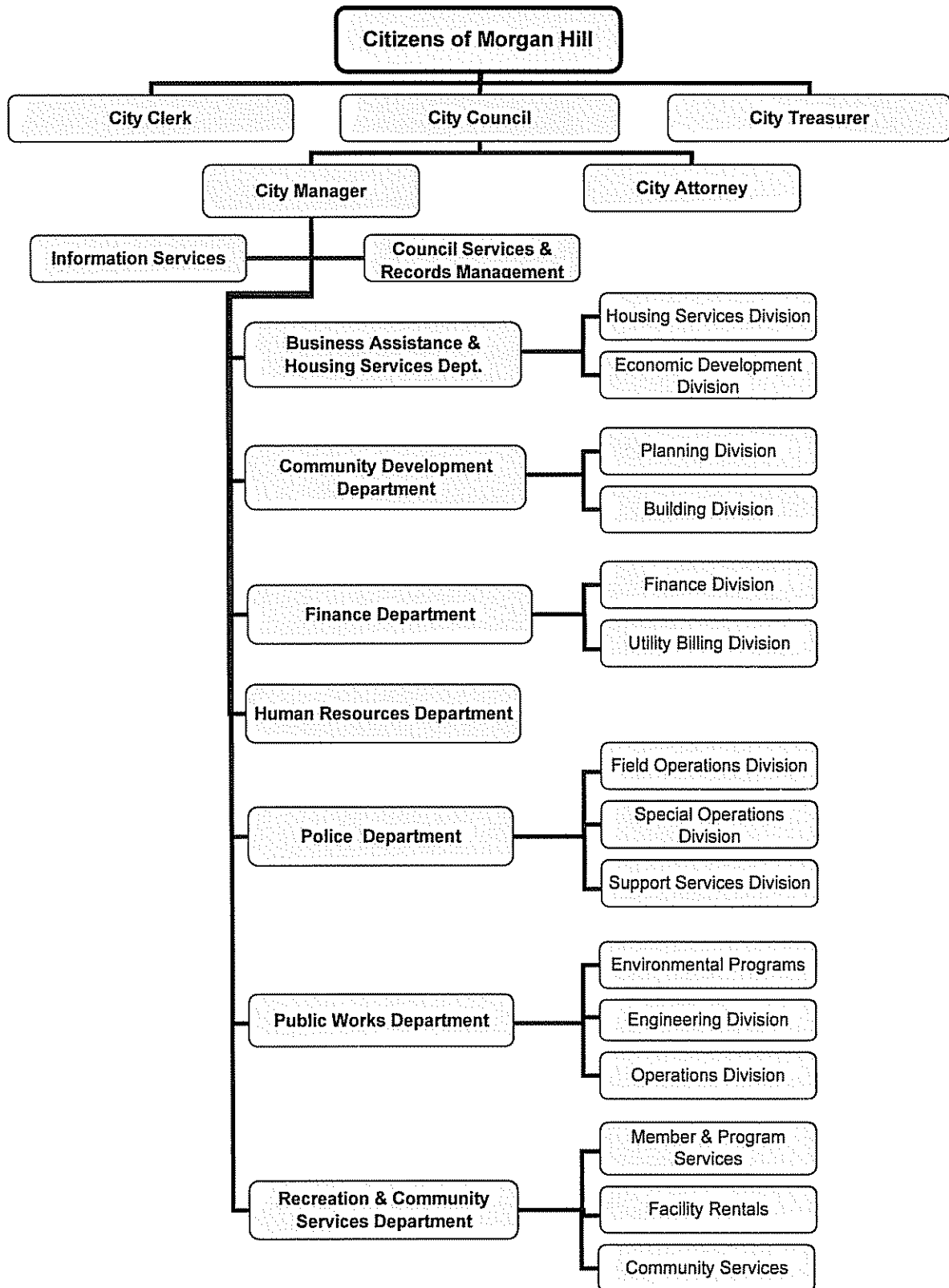
Submission of a proposal indicates acceptance by the firm of the

conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Morgan Hill and the firm selected.

VIII. ELECTED OFFICIALS

- A. Audit staff should expect to meet with the City Treasurer during the audit field work at the request of the City Treasurer. The audit firm selected will be required to make a presentation of the final audited statements to the City Council at a regularly scheduled Council meeting. These occur at 7:00 P.M. on the first, third and fourth Wednesdays of each month.

The City of Morgan Hill reserves the right without prejudice to reject any or all proposals.



**SEALED DOLLAR COST BID**

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Contact Telephone Number(s): \_\_\_\_\_

Contact E-mail Address: \_\_\_\_\_

I, the undersigned, certify I am duly authorized to represent  
the above named firm and am empowered to submit this bid.  
In addition, I certify I am authorized to contract with the City  
of Morgan Hill on behalf of the above named firm.

\_\_\_\_\_  
Signature Title Date

\_\_\_\_\_  
Name (print)

Total All-inclusive Maximum Price for 2008-09 Audit \$ \_\_\_\_\_

Appendix C

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE 2008/09  
FINANCIAL STATEMENTS

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners				
Managers				
Supervisory staff				
Staff				
Other (specify):				
<b><i>Subtotal</i></b>				
Out-of-pocket expenses:				
Meals & Lodging				
Transportation				
Other (specify):				
Total for services described in Section II of the RFP				
TOTAL ALL-INCLUSIVE MAXIMUM PRICE FOR 2008-09 AUDIT				\$

Note: The rate quoted should ***not*** be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.